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Regional Housing Assistance Allocations And Regional Housing Needs

JOHN L. GOODMAN JR.

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JOHN L. GOODMAN, JR.

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SUMMARY

Existing legislation provides the U.S. Department of Housing and Urban Development (HUD) with only broad guidelines for the geographic distribution of housing assistance funds under the Section 8 Housing Assistance Payments Program, the Public Housing Program, and several smaller programs. The latitude given HUD in allocating housing assistance funds stands in contrast to the detailed scheme mandated by Congress for the allocation of Community Development Block Grant (CDBG) funds, even though federal funds being committed under the housing programs currently are six times as great as commitments being made under the CDBG program.

HUD established the Fair Share Formula to determine the geographic allocation of most Section 8 and Public Housing funds. This report addresses the following three questions pertaining to the formula:

1. Are Section 8 and Public Housing assistance funds being distributed in accordance with the Fair Share system?
2. How does the spatial distribution of housing need derived from the Fair Share Formula compare with distributions derived from alternative measures of need?
3. How can the Fair Share Formula be improved?

Formula Definition and the Allocation Process

In determining a county's need for housing assistance as a percentage of the U.S. total, the Fair Share Formula gives equal weight to six factors: population, poverty population, number of dwelling units without complete plumbing, number of overcrowded dwelling units, the shortfall in number of vacant units below a 6 percent vacancy rate, and the number of renter households with one or more housing problems. Needs percentages are adjusted for geographical differences in housing costs.

HUD regulations specify that at least 80 percent of the new Section 8 and Public Housing funds available each fiscal year be allocated according to the Fair Share Formula; up to 20 percent of the funds can be allocated to meet needs not reflected in the formula. In addition, Congress has required that between 20 and 25 percent of the assistance go to nonmetropolitan areas, and HUD makes separate metropolitan and nonmetropolitan funds allocations to its field offices. The field office jurisdictions are divided into separate allocation areas of counties, county groups, or central cities of large SMSAs. Field offices are to distribute funds among these local allocation areas consistent with their formula-based needs. Local Housing Assistance Plans

are the primary determinants of the allocation of funds among the Section 8 New Construction, Substantial Rehabilitation, and Existing Housing Programs, and the Public Housing Program.

Housing assistance is measured in this report by "contract authority reserved," which is the estimated annual subsidy cost of new HUD commitments under the Section 8 and Public Housing programs, and by the resulting number of dwelling units "reserved." Most units reserved eventually become units of assisted housing. To the extent that they do, reservations are a good measure of where HUD will be providing Section 8 and Public Housing assistance in the future, since the commitment period is from 15 to 40 years. However, because there sometimes are substantial time lags between unit reservations and unit occupancy, reservations are not a good measure of current levels of housing assistance. During fiscal years 1977 and 1978, the period covered in this report, Section 8 contract authority reserved was roughly six times as great as Public Housing contract authority reserved.

Findings of the Analysis

Housing Assistance Allocations Compared to Formula-Based Need

In both fiscal 1977 and fiscal 1978, Section 8 and Public Housing funds combined were distributed to the 40 HUD area offices consistent with the requirement that 80 percent of the funds be allocated by the formula. That is, less than 20 percent of the total contract authority reserved would have to be reallocated from one area office to another to achieve a perfect match between the distribution of formula-based need and the distribution of contract authority reserved. When the two programs are considered separately, the distribution of Section 8 assistance matched formula-based need more closely than the distribution of Public Housing assistance did. Individual area office allocations did deviate substantially from the formula-based needs. In fiscal 1978, individual area offices received combined assistance allocations ranging from 25 percent lower than their formula-based needs to 45 percent greater. This study does not examine the question of whether these deviations are justified by special needs not reflected in the formula.

Area offices are to distribute housing assistance funds to their local allocation areas in accordance with the Fair Share Formula. In the four area offices examined in detail in this paper, the allocation of fiscal 1977 and fiscal 1978 Section 8 funds between metropolitan and nonmetropolitan segments of the area office aligned well with the metropolitan/nonmetropolitan distribution of formula-based need. Moreover, the allocation of Section 8 funds among specific SMSAs within each area office jurisdiction does not appear to be inconsistent with the Fair Share system, although data problems limit the conclusions that can be drawn.

The Fair Share Formula Compared to Alternative Measures of Need for Housing Assistance

Four of the six components of the Fair Share Formula show roughly the same regional distribution of housing need, especially for metropolitan areas. On the other hand, housing need according to the vacancy deficit component is concentrated more in the Northeast, and need according to the incomplete plumbing component is concentrated in the South. The regional biases of these last two components partially cancel each other out.

There are an infinite number of possible measures of housing need, and no consensus on which is best. Comparisons at the regional level of formula-based need with alternative measures such as number of households eligible for Section 8 assistance, number of inadequate housing units (according to the HUD measure of housing inadequacy), and CDBG allocations yield similar regional distributions of housing need. On the other hand, housing need as measured by the number of housing units built prior to 1940 is concentrated in the Northeast. The use of alternative measures of housing need was found to result in considerably greater variation in need at the SMSA level than at the Census region level.

According to a variety of measures of need, the proportion of need in nonmetropolitan areas equals or exceeds the 25 percent congressionally mandated ceiling for the allocation of housing assistance to nonmetropolitan areas. Even the Fair Share Formula shows 33 percent of total U.S. need to be in nonmetropolitan areas (29 percent after adjusting for cost differences). But because housing programs administered by the Farmers Home Administration are concentrated in nonmetropolitan areas, the finding that nonmetropolitan areas have been underserved by Section 8 and Public Housing relative to their formula-based share of total need does not necessarily mean that nonmetropolitan areas have been receiving a less than equitable proportion of total federal housing assistance.

Improving the Fair Share Formula

Five of the six components of the Fair Share Formula are based on data from the 1970 Census, leading to error in measurement of current county housing needs. Even at the Census region level, there was some change between 1970 and 1976 in the regional distribution of each of the five components of the formula for which data are available. Formula-based need during the 1970s is shifting from the Northeast and North-central regions to the South and West. The change was greatest for the vacancy deficit component. Among the 59 metropolitan areas surveyed in the Annual Housing Survey, 4 percent of the formula-based need shifted from one SMSA to another between 1970 and 1974-76. Over half of this shift was attributable to the vacancy deficit component, and the logic for inclusion of this component in the formula should be reconsidered.

Not until 1980 Census results are available in 1982 or 1983 will more current county-level data become available on four of the six formula components. It might be possible, however, to update the poverty component by using the county-level per capita income estimates published by the Census Bureau for post-Census years. Furthermore, the national Annual Housing Survey could be used to update all six components at the Census region level.

The current practice of Fair Sharing of contract authority results in neither a distribution of assisted units nor a distribution of real subsidy dollars that is necessarily consistent with formula-based need. It is preferable in theory to use either units assisted or budget authority rather than contract authority as the measure of housing assistance to be Fair Shared. However, Fair Sharing of budget authority would increase the importance of having accurate projections of the time streams of subsidy costs per unit, whereas such projections are inevitably speculative and error-prone.

Technical evaluations of the Community Development Block Grant allocation formulas provide useful guidance on measures of assistance needs and the spatial distribution effects of alternative selections. Both the Fair Share and CDBG allocation systems now face a difficult task: they must make plans for dealing with problems that will result when 1980 Census data are incorporated in their allocation formulas. Projecting from our analysis of 59 SMSAs, probably no less than 10 percent of the nation's county-level housing need will be reallocated when the Fair Share formula is updated. Some local areas will gain substantial amounts of federal urban assistance, while others will lose substantial amounts. Work is needed to determine in advance the types of communities that will fall into these two categories and how best to ease the transition.

I. INTRODUCTION

During the 1960s and early 1970s, regional allocations of federal funds for housing and urban development activities were determined largely on a project-by-project basis. Local authorities and private developers would submit individual applications for funding for various projects, and the federal government, generally through the U.S. Department of Housing and Urban Development (HUD) and its predecessor agencies, would approve or reject the applications one at a time.

With the enactment of the Housing and Community Development Act of 1974, the use of formulas to allocate federal assistance for housing and community development greatly increased. Formula allocation was seen as a way to tie the level of aid more closely to the level of local need for federal assistance and as a way to reduce the importance of "grantsmanship" in determining which localities received assistance.

The 1974 legislation created two programs which have subsequently become the largest programs administered by HUD--the Community Development Block Grant (CDBG) Program and the Section 8 Housing Assistance Payments Program. During congressional hearings on the CDBG program, there was considerable debate about which system should be used to allocate block grant funds to local areas.¹ Within the act itself, five pages are devoted to a detailed specification of the allocation formula, complete with references to averages of ratios, weighting factors, and multiyear phase-in schemes.

1. Richard P. Nathan et al., Block Grants for Community Development (Washington, D.C.: U.S. Department of Housing and Urban Development, 1977).

In contrast, congressional debate on the act's housing assistance component centered on the design of what eventually became the Section 8 Program, and only passing reference was made to how Section 8 assistance should be allocated among regions. In fact, Section 8 was lumped with Public Housing and several smaller housing programs in the following paragraph, Section 213(d) of the act, which was Congress's only statement of how housing assistance funds were to be allocated:

In allocating financial assistance . . . , the Secretary, so far as practicable, shall consider the relative needs of different areas and communities as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, or other objectively measurable conditions, subject to such adjustments as may be necessary to assist in carrying out activities designed to meet lower income housing needs as described in approved housing assistance plans. . . . The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 nor more than 25 per centum of the total amount of such assistance.

The CDBG allocation formula came under close congressional scrutiny again in 1977, during the program's reauthorization hearings. But regional housing assistance allocations have not yet surfaced as a major issue in Congress, even though commitments of federal funds under housing programs with formula allocation schemes are roughly six times as great as commitments under the CDBG program.¹

1. The estimated single-year cost of new commitments of Section 8 and Public Housing in HUD's proposed fiscal 1980 budget is \$1.2 billion (i.e., "contract authority released or required"). But because the housing programs involve a guaranteed subsidy for 15 to 40 years, the estimated total cost (i.e., "budget authority") is \$26.1 billion. The fiscal 1980 budget calls for \$3.9 billion in "new funds available" for the CDBG program.

Purpose of This Report

Using the guidelines set forth in the Housing and Community Development Act of 1974, HUD created a formula for determining, at the county level, a locality's need for housing assistance as a fraction of total U.S. need. HUD uses this formula, known as the Fair Share Formula, to allocate new commitments of housing assistance funds from the Section 8 and Public Housing Programs among local areas.¹

This report addresses the following three questions:

1. Are Section 8 and Public Housing assistance funds being distributed in accordance with the Fair Share Formula?
2. How does the spatial distribution of housing need derived from the Fair Share Formula compare with the distribution derived from alternative measures of housing need?
3. How can the Fair Share Formula be improved?

Each of these questions is addressed in a subsequent chapter. The remainder of this chapter describes the Fair Share Formula and the process by which funds are allocated.²

1. Two smaller HUD-administered programs (the Section 235 Homeownership Assistance Program and the Section 202 Direct Loan Program for Housing for the Elderly or Handicapped) are also subject to formula-based distribution. The allocation process for these programs differs from that for Section 8 and Public Housing and will not be discussed in this report.

2. The Fair Share allocation system treated in this report is not to be confused with determination of a community's "fair share" of metropolitan-wide low-income housing, as this term is sometimes used in connection with the Housing Assistance Plans in the CDBG program.

Formula Definition and the Allocation Process¹

As mentioned above, Congress provided only broad guidelines as to how housing assistance funds were to be distributed, and HUD used those guidelines as the basis for a rigorous formula allocation scheme. The six components of the allocation formula used in the Section 8 and Public Housing programs are listed and defined in table 1. The formula is used to estimate need for housing assistance for each county in the United States. A county's share of the nation's need for housing assistance, the Fair Share composite, is computed as the average of the county's percentage of U.S. need according to each of the six components in table 1. All of the computations are done separately for metropolitan (i.e., inside a Standard Metropolitan Statistical Area) and nonmetropolitan counties, so the Fair Share composite expresses a metropolitan county's need as a percentage of the total of all metropolitan counties, and a nonmetropolitan county's need as a percentage of the total for all nonmetropolitan counties.

The Fair Share composites are summed across counties to get total needs' percentages for HUD field office jurisdictions.² These field office needs' percentages or Fair Share composites are then adjusted,

1. The discussion of the allocation process in this section is based on 24 C.F.R. 891, as revised and published in Federal Register 43, no. 210 (October 30, 1978).

2. To administer its programs, HUD has divided the nation into ten regions, each with a regional headquarters office. The HUD regions in turn are divided into area office jurisdictions, of which there are 40. Many of the area offices have one or more local service offices which are subordinate to them and share their functions. "Field office" as used in this report refers to the area offices and the few service offices (nine in fiscal 1979) for which cost-adjusted Fair Share composites are computed and which received funds allocations directly from the HUD central office in fiscal 1979.

TABLE 1

COMPONENTS OF THE FY 79 FAIR SHARE FORMULA USED
FOR REGIONAL ALLOCATIONS OF FUNDS FOR THE
SECTION 8 AND PUBLIC HOUSING PROGRAMS

1. 1975 Population
Source: Population Estimates and Projections, P-25 No. 709 Sept. 1977, Bureau of the Census.
2. Poverty
The number of families with annual incomes below 50 percent of the median family income for the respective Census Region. Source: 1970 Census.
3. Lacking Plumbing Facilities
The number of housing units lacking some or all plumbing facilities. Source: 1970 Census.
4. Overcrowded
The number of occupied housing units with more than 1.01 persons per room. Source: 1970 Census.
5. Vacancy Deficit
The number of additional vacant housing units that would be required to increase the vacancy rate to 6 percent. Source: 1970 Census.
6. Renters with Problems (Special Tabulation of Households with Housing Deficiencies)
The number of renter households: spending more than 25 percent of their income for gross rent, lacking plumbing, and/or overcrowded. Source: 1970 Census.

NOTE: Each of the six factors receive equal weight in determining county need for housing assistance as a percentage of total need of all U.S. counties. Need percentages are computed separately for metropolitan and nonmetropolitan counties.

either up or down, to reflect differences in housing costs across areas of the country. At present, the adjustment for cost differences is based on the average Fair Market Rent for newly constructed two-bedroom units in counties within the field office jurisdiction.

The cost-adjusted Fair Share composites are then used to allocate each fiscal year's available contract authority (the estimated single-year subsidy amount) and budget authority (the estimated subsidy over the duration of the HUD commitment) among the field offices.¹ According to HUD regulations, at least 80 percent of the funds available for distribution during the fiscal year are to be distributed according to the formula. The formula-based allocations are for new commitments of HUD funds and have no bearing on commitments made in previous years. (Amendments to previously approved projects are considered new commitments.)

Each fiscal year a fixed level of Section 8 and Public Housing funding is available for distribution. The total amount is determined by that year's congressional appropriation of new contract and budget authority, together with contract and budget authority appropriated in previous fiscal years but not yet committed to projects. After receiving its appropriation, HUD early in the fiscal year distributes the Fair-Shared funds among its field offices.

1. The procedures HUD follows in developing the subsidy-cost estimates for Section 8 and Public Housing are described and critiqued in Congressional Budget Office, The Long-Term Costs of Lower-income Housing Assistance Programs (Washington, D.C., March 1979). Contract and budget authority for the Public Housing program are for debt service expenses only, and do not include estimated operating subsidies, which are appropriated in the year in which the money is to be spent.

Each HUD field office receives separate allocations for its metropolitan and nonmetropolitan counties, after HUD has decided upon the national share of funds to be allocated to nonmetropolitan areas (required by law to be between 20 and 25 percent of the total).

When the HUD field office receives its allocations of funds, it issues a "Notice of Funds Availability" and solicits proposals from public and private sponsors for Section 8 or Public Housing projects. Selection of projects and distribution of funds from the field office to local areas are also to be consistent with the Fair Share system. Fair Share composites are computed for all local areas within the field office's jurisdiction. These local areas, or "allocation areas," are established by the field office. Allocation areas are typically individual counties or groups of counties broad enough to support economically feasible projects. Central cities of Standard Metropolitan Statistical Areas (SMSAs) also can be established as separate allocation areas if the resulting amount of contract authority would be sufficient to support feasible projects.

Within each allocation area the distribution of available funds among specific housing types--new construction, rehabilitation, and existing housing--is based on the local area's Housing Assistance Plan(s) (HAP), developed as part of the CDBG application process. So, while the level of funding available to the local area is determined largely by the Fair Share Formula, the exact use of the funds is determined at the local level through the HAPs. Because subsidy costs differ by housing type, the number of units supported by any given level of funding will vary. For example, the same level of funding will support more units

in the Section 8 Existing Housing Program than in the Section 8 New Construction Program, due to the latter's higher Fair Market Rents and the resulting higher monthly subsidy payment on behalf of the tenant.

Up to 20 percent of the contract authority distributed each year does not have to be distributed in accordance with the Fair Share Formula. This reserve fund may be used by the HUD central office for meeting needs that are not reflected in the Fair Share Formula, such as the following:

- housing needs of new communities
- activities in support of Areawide Housing Opportunity Plans
- alternative and innovative programs for meeting lower-income housing needs
- CDBG recipient communities that received approval of their CDBG applications on the condition that they make increased efforts to meet the housing needs of their low-income residents

No constraints are imposed on the allocation of these funds between metropolitan and nonmetropolitan areas, as long as the total allocation of funds to nonmetropolitan areas remains within the mandated range of 20 to 25 percent of the U.S. total.

Housing assistance is measured in this report by contract authority and number of housing units "reserved." The reservation of funds is analogous to the issuance of a building permit. It represents HUD approval of, and commitment of funds to, a proposed project. But the reservation of funds is not a guarantee that additional units of assisted housing will become available. Just as holders of building permits sometimes elect not to build, sponsors of approved Section 8 and Public Housing projects occasionally back out. In fiscal 1977, Section 8 net

contract authority reserved was approximately 98 percent of gross contract authority reserved, and in fiscal 1978, net contract authority reserved was 86 percent of the gross figure. "Gross contract authority reserved" refers to all new HUD commitments, and "net contract authority reserved" equals the gross minus funds reserved previously that have gone unused and have been "recaptured" from previous fiscal years or "cancelled" from earlier in the current fiscal year. Net figures also reflect amendments to previously approved projects. Because they are more precise than gross reservation figures in indicating new HUD activity in an area, net reservation figures are used whenever possible in this study.

In any case, a housing unit reserved should not be confused with an additional housing unit available for occupancy. Especially in the New Construction Program, the lag between reservation and availability can be months or even years. But because of the lengthy subsidy guarantee period (15 to 40 years), reservations do provide a good measure of current commitments being made by HUD to provide assistance in the future.

II. REGIONAL HOUSING ASSISTANCE ALLOCATIONS AND HOUSING NEEDS ACCORDING TO THE FAIR SHARE FORMULA

The question of whether the actual distribution of Section 8 and Public Housing funds is consistent with the Fair Share system can be addressed at different levels of geographic detail. This chapter compares the geographic distributions of funds and formula-based need, first across all HUD regions and area offices, and then across local areas within four area offices chosen as case studies.

Summary of Allocations Compared to Fair Shares

The allocation of combined funds for Section 8 and Public Housing to HUD regions and area offices was consistent with the Fair Share allocation system in both fiscal 1977 and fiscal 1978.

Using the "index of dissimilarity," commonly employed by sociologists,¹ table 2 gives the percentage of housing assistance that would have to be reallocated between HUD jurisdictions to achieve a perfect match of allocations and formula-based need.² Most of the index values in table 2 are less than 20 percent, and because HUD regulations require

1. See, for example, Karl Taeuber and Alma Taeuber, Negroes in Cities (Chicago: Aldine, 1965).

2. The Fair Share Formula allocation to areas is computed as the weighted average of the metropolitan (weight = .75) and nonmetropolitan (weight = .25) cost-adjusted formula allocations. This weighting is consistent with the mandated allocation of between 20 percent and 25 percent of the Fair-Shared contract authority to nonmetropolitan areas, since this requirement implies a judgment that a corresponding share of total U.S. housing need is in nonmetropolitan areas. According to HUD officials, in fiscal 1977 and fiscal 1978, the nonmetropolitan allocation of contract authority was close to the upper bound of 25 percent.

TABLE 2

PERCENTAGE OF UNITS AND CONTRACT AUTHORITY RESERVED
THAT WOULD HAVE TO BE REALLOCATED TO ACHIEVE
EXACT CORRESPONDENCE BETWEEN DISTRIBUTION
OF FORMULA-BASED HOUSING NEED AND
DISTRIBUTION OF HOUSING ASSISTANCE

	Required Reallocation between HUD Regions (to achieve exact cor- respondence at HUD Region level)	Required Reallocation between HUD Regions and Area Offices (to achieve exact corre- spondence at HUD Area Office level)
Section 8 and Public Housing Reservations Combined		
FY 77*		
Units	5.2%	9.3%
FY 78		
Units	2.6%	5.7%
Contract Authority	4.1%	6.0%
Section 8 Reservations		
FY 77		
Units	7.9%	11.8%
Contract Authority	5.3%	8.0%
FY 78		
Units	5.7%	7.6%
Contract Authority	5.0%	8.2%
Public Housing Reservations		
FY 77*		
Units	24.9%	32.3%
FY 78		
Units	17.8%	27.9%
Contract Authority	8.4%	17.8%

* Gross reservations. Net reservations data and gross contract authority not available for Public Housing in FY 77.

NOTE: Unless otherwise specified, all reservations data refer to net reservations.

Required reallocation derived from the "index of dissimilarity," computed as follows:

$$\text{Required Reallocation} = \frac{1}{2} \sum_i | \%_{Ri} - \%_{Ni} |$$

where $\%_{Ri}$ is the percentage of total U.S. Section 8 and Public Housing reservations going to area i

$\%_{Ni}$ is the percentage of total U.S. housing need in area i according to Fair Share Formula

i is an index of area, either HUD Regions (n = 10) or HUD Area Offices (n = 40).

that only 80 percent of the available contract authority be allocated by the formula, it is possible to allocate up to 20 percent of the contract authority inconsistently with the formula and still comply with the regulations. In table 2, only the public housing figures exceed 20 percent. And even for public housing, fiscal 1978 contract authority reserved was within the 20 percent limit. The figures also imply that Section 8 and Public Housing reservations were used partially to offset each other. That is, the indices of dissimilarity for Section 8 and Public Housing combined are smaller than the index values for either program separately. Areas getting more than their "fair share" of assistance under one program tended to get less than their fair share under the other. This pooling of Section 8 and Public Housing allocations is authorized in current HUD regulations, which allow Fair Sharing of the combined Section 8 and Public Housing assistance as an alternative to Fair Sharing the two programs separately.¹

Since contract authority, and not necessarily units, is to be allocated according to the Fair Share Formula, it might be expected that the index of dissimilarity would be smaller for housing assistance measured in contract authority than for assistance measured in units. Table 2 shows that for the Section 8 program in fiscal 1978, this was not the case at the area office level. Area offices that received more than their formula-based share of contract authority in fiscal 1978 were in areas with the highest housing costs as measured by the Fair Share

1. Section 8 is a much larger program than Public Housing in terms of new commitments being made. For example, in fiscal 1978, Section 8 accounted for 85 percent of net contract authority reserved and 80 percent of the units reserved for Section 8 and Public Housing combined.

cost-adjustment factor. In addition, areas that received more than their formula-based proportion of contract authority relied most heavily on the relatively expensive Section 8 New Construction Program. As a result of this price effect and new/existing mix, areas with 10 percent more contract authority than their formula-based share may have only 5 percent more units than their formula-based share. Similarly, areas with 10 percent less contract authority than their formula-based share may be only 5 percent below their share as measured in units.

In interpreting table 2, it is important to remember that a perfect match between allocations and formula-based need is not necessarily a desirable goal. Since the very purpose of exempting 20 percent of the allocation from the Fair Share Formula is to meet housing needs not reflected in the formula, a perfect match would probably indicate a mismatch between assistance allocations and actual housing needs.

A second point regarding interpretation of the assistance allocations is that HUD is not in complete control of where the funds were used. Even after HUD supplies funds to a field office, local demand (in the form of acceptable project applications) may be inadequate to exhaust the available funds. If demand in a field office jurisdiction is insufficient to exhaust the supply of funds in any fiscal year, the funds are reallocated to another field office, if possible within the same HUD region, toward the end of the fiscal year. This type of reallocation was more common during the first few years of the Section 8 program than in fiscal 1977 and fiscal 1978.

Results in Individual HUD
Regions and Area Offices

While the overall allocation of housing assistance to area offices in fiscal 1977 and fiscal 1978 was within the bounds established by HUD regulations, some specific HUD jurisdictions received assistance considerably above or below their formula-based shares of total U.S. need (tables 3 and 4; figure 1).¹ As shown in the last column of table 3, the percentages of funds allocated to HUD regions in the Plains and the South were below their percentages of formula-based need, while the percentage of funds allocated to the New England region exceeded its percentage of formula-based need. The last column of table 4 shows that at the area office level in fiscal 1978, assistance relative to formula-based need was highest in the Boston, Washington, D.C., and Baltimore jurisdictions, where the shares of assistance were from 39 to 45 percent higher than the share of need. In contrast, the Birmingham, Little Rock, Greensboro and Columbia jurisdictions' shares of assistance were 21 to 25 percent below their share of need. By the imperfect measure of units reserved, there is a weak tendency for these deviations to be maintained over time, as evidenced by the simple correlation of .31 between the 1977 and 1978 ratios of units reserved relative to Fair Share allocations.

1. Five area office boundaries changed slightly over the period studied in this report. Three counties were transferred from the Buffalo area office to the New York area office. This transfer resulted in roughly a 7 percent reduction in the population within the Buffalo jurisdiction and roughly a 3 percent population increase in the New York area office jurisdiction. Six counties were transferred into the Dallas area office (2 percent population increase), five from the New Orleans area office (3 percent population reduction), and one from the Little Rock area office (3 percent population reduction). Because of these boundary changes, statistics for these area offices are not strictly comparable over time.

TABLE 3

FAIR SHARE ALLOCATIONS AND NET SECTION 8 AND PUBLIC HOUSING RESERVATIONS
BY HUD REGION, FY 77 AND FY 78
(percentage distribution)

HUD Region	Fair Share Formula ^a Allocation		Net Section 8 and Public Housing Reservations			Reservations Relative ^b to Fair Share Allocations			
			Units Reserved	Contract Authority Reserved	FY 77*	FY 77*		FY 78	
	(1) FY 77	(2) FY 78	(3)* FY 77	(4) FY 78	(5) FY 78	column 3 column 1	column 4 column 2	column 5 column 2	
I (Boston)	6	6	7	7	8	1.18	1.18	1.38	
II (New York)	20	19	18	19	20	.87	.97	1.01	
III (Philadelphia)	11	11	10	12	12	.87	1.11	1.09	
IV (Atlanta)	15	15	15	15	13	1.00	.97	.87	
V (Chicago)	19	19	18	19	19	.95	.99	.99	
VI (Fort Worth)	8	8	9	8	7	1.14	.92	.84	
VII (Kansas City)	5	5	5	4	4	.95	.95	.87	
VIII (Denver)	2	2	2	2	2	.87	.86	.86	
IX (San Francisco)	11	12	13	11	12	1.15	.94	.98	
X (Seattle)	3	3	3	3	3	1.32	1.01	1.05	
Total	100	100	100	100	100				

DATA SOURCE: Statistics derived from data provided by HUD.

^aRegional allocation computed as $(.75 \times \text{metro cost-adjusted allocation}) + (.25 \times \text{nonmetro cost-adjusted allocation})$.

^bComputations in last three columns based on more significant digits than listed in first five columns and therefore cannot be derived directly from table.

*Gross reservations. Public Housing net reservations not available for FY 77.

TABLE 4

FAIR SHARE ALLOCATIONS AND NET SECTION 8 AND PUBLIC HOUSING
RESERVATIONS, BY HUD AREA OFFICE, FY 77 AND FY 78
(percentage distribution)

HUD Area Office	Fair Share Formula Allocation ^a		Net Section 8 and Public Housing Reservations			Reservations Relative to Fair Share Allocations ^b		
			Units Reserved		Contract Authority Reserved	FY 77 [*]	FY 78	
	(1) FY 77	(2) FY 78	(3) FY 77 [*]	(4) FY 78	(5) FY 78	column 3 column 1	column 4 column 2	column 5 column 2
I Boston	4.6	4.5	6.0	5.4	6.5	1.30	1.21	1.45
Hartford	1.5	1.5	1.4	1.7	1.8	.89	1.17	1.25
II Buffalo	2.9	2.8	2.5	2.4	2.3	.84	.86	.84
Newark	4.0	4.0	3.1	3.3	4.8	.76	.83	1.18
New York	10.2	9.3	10.1	10.7	9.9	.98	1.14	1.06
Caribbean	3.2	3.1	2.1	2.3	2.5	.67	.76	.82
III Baltimore	1.2	1.3	1.3	1.7	1.8	1.10	1.30	1.39
Philadelphia	3.5	3.5	2.7	3.8	3.6	.78	1.08	1.02
Pittsburgh	2.9	2.9	2.4	3.4	3.1	.81	1.17	1.07
Richmond	1.9	1.8	2.1	1.8	1.6	1.12	1.02	.91
Washington	1.4	1.3	1.0	1.5	1.9	.74	1.09	1.40
IV Atlanta	2.0	2.0	2.2	2.3	2.0	1.10	1.15	1.00
Birmingham	1.8	1.7	1.5	1.4	1.3	.73	.81	.75
Jacksonville	3.2	3.0	3.0	3.0	2.7	.95	.99	.89
Columbia	1.2	1.2	1.2	1.0	1.0	.99	.83	.79
Greensboro	2.3	2.4	2.5	2.3	1.9	1.10	.98	.78
Jackson	1.1	1.1	1.0	1.2	1.0	.90	1.05	.93
Louisville	1.6	1.7	1.7	1.7	1.7	1.03	.98	.96
Knoxville	1.9	2.0	2.3	1.9	1.8	1.17	.98	.94
V Chicago	5.5	5.6	3.3	4.8	5.7	.60	.85	1.02
Columbus	4.4	4.5	4.2	4.9	4.1	.96	1.08	.90
Detroit	3.6	3.5	2.9	3.2	3.5	.80	.91	.99
Indianapolis	2.1	2.1	1.8	2.4	1.9	.85	1.13	.90
Milwaukee	1.9	1.9	2.8	2.2	2.3	1.47	1.18	1.24
Minneapolis-St. Paul	1.8	1.7	3.4	1.8	1.7	1.93	1.03	1.01
VI Dallas	3.2	3.3	3.6	3.4	3.1	1.14	1.01	.92
Little Rock	1.0	1.0	1.3	1.1	.7	1.30	1.12	.76
New Orleans	1.6	1.7	1.7	1.4	1.3	1.05	.80	.77
Oklahoma City	.8	.9	1.2	.6	.8	1.37	.72	.90
San Antonio	1.3	1.3	1.4	1.2	1.1	1.06	.89	.83
VII Kansas City	1.6	1.5	1.7	1.4	1.2	1.08	.96	.82
Omaha	1.7	1.7	1.6	1.6	1.5	.95	.94	.87
St. Louis	1.3	1.2	1.1	1.3	1.2	.88	1.04	.99
VIII Denver	2.2	2.3	2.0	2.0	2.0	.91	.90	.90
IX San Francisco	3.9	4.3	4.5	4.1	4.4	1.14	.94	1.02
Honolulu	.8	.9	.7	.6	.8	.83	.65	.90
Los Angeles	6.3	6.9	7.7	6.8	6.8	1.21	.98	.98
X Anchorage	.3	.3	.2	.2	.3	.77	.74	1.10
Portland	1.1	1.2	1.6	1.6	1.6	1.49	1.31	1.32
Seattle	1.1	1.1	1.6	.9	.9	1.41	.85	.84
Total	99.9	100.0	100.2	100.3	100.1			

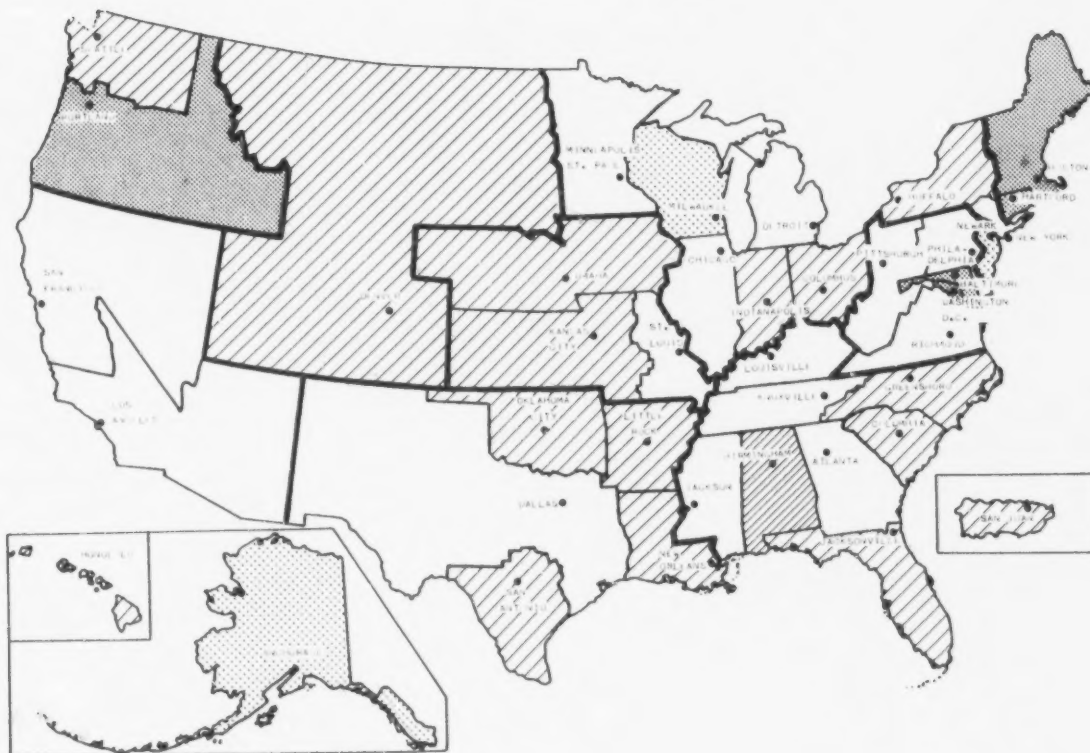
DATA SOURCE: Statistics derived from data provided by HUD.

^{*}Gross reservations. Public Housing net reservations not available for FY 77.

^aArea Office allocation computed as (.75 x metro cost-adjusted allocation) + (.25 x nonmetro cost-adjusted allocation).

^bComputations in last three columns based on more significant digits than listed in first five columns and therefore cannot be derived directly from table.

FIGURE 1
FY78 HOUSING ASSISTANCE (SECTION 8 & PUBLIC HOUSING)
RELATIVE TO FY78 FAIR SHARE ALLOCATIONS, BY
HUD AREA OFFICE



KEY:

Share of total FY78 housing assistance relative to share of total U.S. housing need according to Fair Share formula:

-  Share of housing assistance more than 24% greater than share of formula-based need
-  Share of housing assistance 10% to 24% greater than share of formula-based need
-  Share of housing assistance within 9% (plus or minus) of share of formula-based need
-  Share of housing assistance 10% to 24% below share of formula-based need
-  Share of housing assistance more than 24% below share of formula based need

Housing assistance is measured by FY78 Net Contract Authority Reserved, for Section 8 and Public Housing units. Fair Share allocation is computed as the weighted average of the cost adjusted metro and non-metro allocations for the area office (metro weight = .75, non-metro = .25). The percentages in the figure are computed as the ratio of the area's share of total FY78 contract authority to the area's share of total housing need as derived from the Fair Share formula.

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As explained in the previous section, disparities between housing assistance allocations and formula-based need percentages do not necessarily imply an inequitable regional distribution of Section 8 and Public Housing subsidies, because of the special needs that do not get reflected in the Fair Share Formula.

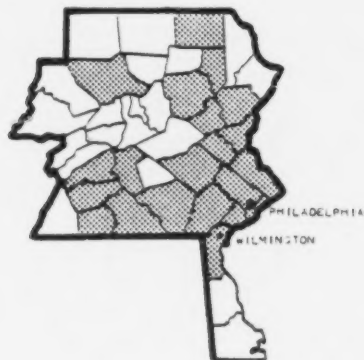
Allocations within Four Selected Area Offices

Since the Fair Share system calls for formula-based funds distribution among local allocation areas within the jurisdiction of individual HUD field offices, a complete assessment of the degree to which assistance allocations are consistent with formula-based needs requires the examination of more detailed geographic units than HUD area offices. This section examines the distribution of Section 8 assistance within four HUD area offices: Philadelphia; Columbus, Ohio; Dallas; and San Francisco. These offices were selected because they each contain several SMSAs, they are geographically diverse, and they have available fairly complete geographic identification of projects. No claim is made that the experiences of these area offices are necessarily representative of the experiences of other HUD area offices.

Two questions are addressed with the case study data. First, within the area office jurisdiction, is the distribution of Section 8 funds between metropolitan and nonmetropolitan areas consistent with the distribution of formula-based need? Here the answer is clearly yes. The first rows in tables 5 through 8 show that in fiscal 1977 and fiscal 1978 the distribution of Section 8 funds between metropolitan and nonmetropolitan areas was closely correlated with the distribution of

TABLE 5

PHILADELPHIA AREA OFFICE
SECTION 8 RESERVATIONS AND FAIR SHARE
FORMULA ALLOCATIONS



	Housing Need (FY78 Fair Share Formula)	Section 8 Contract Authority Reserved	
		FY77	FY78
Percentage of Area Office Total in Metropolitan Counties	87.1%	85.1%	87.4%
Percentage of Area Office Metropolitan Total, by SMSA			
Wilmington, Delaware	4.0%	8.0%	9.0%
York, Pennsylvania	5.7	5.9	6.6
Reading, Pennsylvania	4.6	5.8	-0.1
Philadelphia, Pennsylvania	53.1	52.9	51.6
Allentown-Bethlehem-Easton, PA-NJ	7.9	12.3	10.3
Harrisburg, Pennsylvania	6.3	2.9	4.0
Scranton-Wilkes Barre-Hazleton, PA	10.6	5.4	13.1
Lancaster, Pennsylvania	5.2	6.3	3.8
Williamsport, Pennsylvania	1.8	0.0	1.1
Binghamton, NY-PA	.6	.6	.6

SOURCE: Statistics derived from data provided by HUD. Statistics exclude 28 percent of FY77 metropolitan Section 8 reservations due to missing or ambiguous location data.

NOTES: Shading on map indicates metropolitan counties (i.e. counties in SMSAs). Hatching indicates excluded Service Office jurisdiction. Some SMSAs are split by Area Office boundaries. Statistics presented for these SMSAs pertain only to those counties included in Area Office jurisdiction. Due to rounding, percentages listed for SMSAs may not sum to 100.0%. Section 8 statistics for FY78 are for net contract authority reserved; FY77 Section 8 Statistics are for net contract authority, exclusive of negative adjustments for contract authority "recaptured" from previous fiscal years' reservations.

TABLE 6

COLUMBUS, OHIO AREA OFFICE^{*}
SECTION 8 RESERVATIONS AND FAIR SHARE
FORMULA ALLOCATIONS



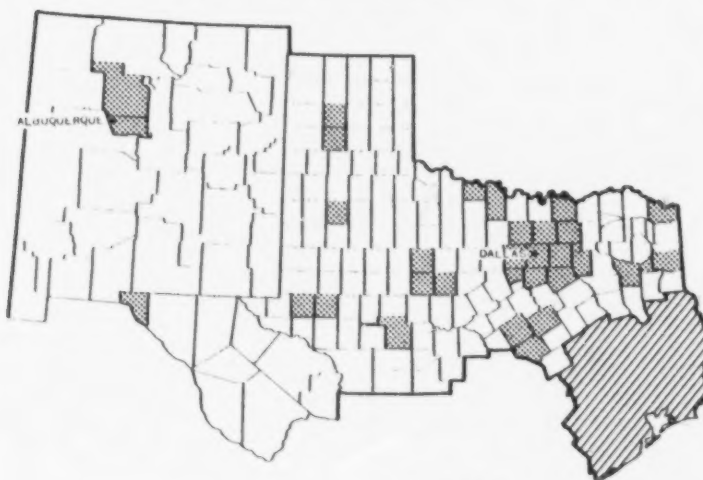
	Housing Need (FY78 Fair Share Formula)	Section 8 Contract Authority Reserved	
		FY77	FY78
Percentage of Area Office Total in Metropolitan Counties	77.7%	79.1%	71.9%
Percentage of Area Office Metropolitan Total, by SMSA			
Lima, Ohio	4.7%	3.3%	6.6%
Wheeling, WV-OH	2.9	3.0	2.5
Hamilton-Middletown, Ohio	6.8	2.1	5.4
Springfield, Ohio	5.0	3.4	-0.5
Cincinnati, Ohio	31.5	39.5	37.9
Columbus, Ohio	24.7	19.5	50.1
Dayton, Ohio	20.5	27.1	0.3
Huntington-Ashland, WV-KY-OH	2.4	0.0	0.0
Parkersburg-Marietta, WV-OH	1.8	2.2	-1.7

* All statistics are exclusive of Cleveland Service Office jurisdiction

SOURCE: Statistics derived from data provided by HUD. Statistics exclude 31 percent of FY77 metropolitan Section 8 Reservations and 21 percent in FY78 due to missing or ambiguous location data.

NOTES: See table 5

TABLE 7
DALLAS, TEXAS AREA OFFICE*
SECTION 8 RESERVATIONS AND FAIR SHARE
FORMULA ALLOCATIONS



	Housing Need (FY78 Fair Share Formula)	Section 8 Contract Authority Reserved	
		FY77	FY78
Percentage of Area Office Total in Metropolitan Counties	66.2%	68.7%	65.3%
Percentage of Area Office Metropolitan Total, by SMSA			
Albuquerque, New Mexico	10.3%	11.6%	8.1%
Killeen-Temple, Texas	4.8	2.4	0.0
Abilene, Texas	2.4	1.0	0.4
Dallas-Fort Worth, Texas	45.9	59.1	45.5
Odessa, Texas	1.4	3.4	6.4
El Paso, Texas	14.0	11.3	12.3
Sherman-Denison, Texas	1.9	1.9	0.5
Longview, Texas	2.1	0.5	4.3
Midland, Texas	0.9	0.0	0.0
Lubbock, Texas	3.5	0.1	1.4
Waco, Texas	3.0	2.5	4.4
Amarillo, Texas	2.6	0.6	4.0
Tyler, Texas	3.3	4.9	2.7
San Angelo, Texas	1.8	0.5	4.5
Wichita Falls, Texas	2.1	0.0	5.3

* All statistics are exclusive of Houston Service Office jurisdiction

SOURCE: Statistics derived from data provided by HUD. Statistics exclude 14 percent of FY77 metropolitan Section 8 reservations and 4 percent of FY78 due to missing or ambiguous location data.

NOTES: See table 5

TABLE 8
SAN FRANCISCO, CALIFORNIA AREA OFFICE*
SECTION 8 RESERVATIONS AND FAIR SHARE
FORMULA ALLOCATIONS



	Housing Need (FY78 Fair Share Formula)	Section 8 Contract Authority Reserved	
		FY77	FY78
Percentage of Area Office Total in Metropolitan Counties	90.5%	91.1%	90.4%
Percentage of Area Office Metropolitan Total, by SMSA			
San Francisco-Oakland, CA	57.5%	53.8%	51.9%
Fresno, California	6.2	6.3	5.7
Salinas-Seaside-Monterey, CA	4.1	4.2	4.0
Vallejo-Fairfield-Napa, CA	3.8	4.0	5.8
San Jose, California	14.1	13.6	18.2
Santa Cruz, California	2.3	8.1	0.9
Santa Rosa, California	3.5	2.7	1.0
Modesto, California	2.7	2.4	1.6
Las Vegas, Nevada	3.7	1.8	9.9
Reno, Nevada	2.3	3.2	0.9

* All statistics are exclusive of Sacramento Service Office jurisdiction

SOURCE: All statistics derived from data provided by HUD. Statistics exclude 2 percent of FY77 metropolitan Section 8 reservations and 18 percent of FY78 due to missing or ambiguous location data.

NOTES: See table 5

formula-based need. Only in the Columbus office were discrepancies of more than two percentage points found, and there the discrepancies in the two fiscal years offset each other to some extent. Moreover, because 20 percent of the funds are exempt from Fair Sharing and because Section 8 and Public Housing funds may be allocated jointly, a precise match between formula-based need and assistance allocations is not necessarily to be expected.

If the overall allocation of assistance to the metropolitan portion of the area office is consistent with the formula, is the allocation between specific metropolitan areas within the area office jurisdiction also in accordance with the Fair Share Formula? This is the second question addressed with the case study data, but for several reasons it is not as easily answered as the previous question. First, as noted in tables 5 through 8, our assessment of the distribution of Section 8 funds across specific SMSAs is hampered by missing location codes for some Section 8 projects.¹ Second, the fact that 20 percent of Section 8 funds are allocated on a discretionary basis can be expected to weaken the tie between formula-based need and assistance allocations. Third, local allocation area boundaries are not always coterminous with SMSA boundaries. These considerations limit the conclusions that can be supported by the data presented in tables 5 through 8. About all that can be concluded is that the allocation of Section 8 funds across metropolitan areas in these four area offices is not clearly inconsistent with the Fair Share Formula. There is some correlation between percentage

1. Data on the overall allocations of assistance to metropolitan and nonmetropolitan parts of each area office come from another source and are not affected by this problem.

of need and percentage of assistance received, and discrepancies between need and assistance percentages in fiscal 1977 are often offset by discrepancies of the opposite sign in fiscal 1978.¹

The analysis in this chapter indicates that the discrepancy between the distributions of formula-based need and funds received generally increases with level of geographic detail. Extrapolating this trend, an examination of the intrametropolitan distribution of assistance between central cities and their suburban rings, or the distribution of assistance within the nonmetropolitan portions of field office jurisdictions, might be expected to indicate still larger discrepancies. However, without actually conducting this analysis, which is beyond the scope of our study, such a conclusion is premature.

1. Averaging of assistance allocations across years in order to better approximate the Fair Share amount is authorized in current HUD regulations.

III. THE FAIR SHARE FORMULA COMPARED TO ITS COMPONENTS AND ALTERNATIVE MEASURES OF HOUSING NEED

As mentioned earlier, the Fair Share Formula was established in 1974 with little study of its distributional implications. Furthermore, unlike the CDBG formula, the Fair Share Formula has not subsequently undergone close scrutiny to determine how the pattern of regional and local distribution of need derived from it compares to geographic distributions of need derived from alternative measures. The purpose of this chapter is to begin to undertake these comparisons.

Regional Distribution of the Components of the Fair Share Formula

Each of the six components of the Fair Share Formula is in a sense implied to be a measure of need for housing assistance. Taken individually however, the six components do not each yield the same regional distribution of need. Table 9 decomposes the fiscal 1979 Fair Share Formula allocations to the Census regions into the six formula components. Looking first at the panel of numbers for metropolitan areas (i.e., counties in SMSAs), it can be seen that four of the six formula components are relatively consistent with each other and therefore with the composite, which is derived as a simple average of the six component scores. That is, these four components (population, poverty population, overcrowded, and renters with problems) indicate approximately the same regional distribution of metropolitan housing need. The other two components--incomplete plumbing and vacancy deficit--yield considerably

TABLE 9

REGIONAL INCIDENCE OF COMPONENTS OF FY 79 FAIR SHARE FORMULA
(percentage distribution)

Region	Formula Component						Composite (unadjusted for cost differences)
	1975 Pop.	Poverty Pop.	Incomplete Plumbing	Over- crowded	Vacancy Deficit	Renters with Problem	
Metropolitan Areas							
Northeast	26	28	23	24	39	30	28
Northcentral	27	23	23	25	26	22	24
South	28	29	43	32	17	26	29
West	<u>19</u>	<u>20</u>	<u>11</u>	<u>19</u>	<u>18</u>	<u>22</u>	<u>19</u>
Metro total	100	100	100	100	100	100	100
Nonmetropolitan Areas							
Northeast	14	11	6	9	16	11	11
Northcentral	30	30	21	23	35	23	27
South	43	47	67	52	35	53	50
West	<u>13</u>	<u>12</u>	<u>6</u>	<u>16</u>	<u>14</u>	<u>13</u>	<u>12</u>
Nonmetro total	100	100	100	100	100	100	100

DATA SOURCE: Statistics derived from data provided by HUD.

Definitions:

1. 1975 Population
Source: Population Estimates and Projections, P-25 No. 709 Sept. 1977, Bureau of the Census.
2. Poverty
The number of families with annual incomes below 50 percent of the median family income for the respective Census Region. Source: 1970 Census.
3. Lacking Plumbing Facilities
The number of housing units lacking some or all plumbing facilities. Source: 1970 Census.
4. Overcrowded
The number of occupied housing units with more than 1.01 persons per room. Source: 1970 Census.
5. Vacancy Deficit
The number of additional vacant housing units that would be required to increase the vacancy rate to 6 percent. Source: 1970 Census.
6. Renters with Problems (Special Tabulation of Households with Housing Deficiencies)
The number of renter households: spending more than 25 percent of their income for gross rent, lacking plumbing, and/or overcrowded. Source: 1970 Census.

different regional distributions. Compared to the other components, incomplete plumbing allocates more need to the South and less need to the West and Northeast. Vacancy deficit, on the other hand, is concentrated in the Northeast and is low in the South. In other words, the incomplete plumbing component increases the South's Fair Share composite at the expense of the West and the Northeast, and the vacancy deficit component increases the Northeast's composite at the expense of the South.

The six components of the Fair Share Formula are less consistent with each other in nonmetropolitan areas (second panel in table 9) than they are in metropolitan areas. Each of the six components indicates a somewhat different pattern of regional housing need. But, as in metropolitan areas, the incomplete plumbing and vacancy deficit components differ most from the regional distribution of the composite, with incomplete plumbing concentrated in the South and vacancy deficit concentrated in the Northeast and Northcentral regions.

In summary, table 9 shows that four of the six components of the Fair Share Formula indicate roughly similar regional distributions of housing need, especially in metropolitan areas. On the other hand, housing need according to the vacancy deficit component is concentrated in the Northeast and, to a lesser extent, in the Northcentral region, and need according to the incomplete plumbing component is concentrated in the South. The regional "biases" of these last two components partially cancel each other out.

Regional Distribution of Housing
Needs by Alternative Measures

No consensus exists on the most appropriate measure of regional need for housing assistance. For that matter, there is no consensus on the much simpler issue of the measurement of housing quality.¹ Because of this disagreement on the appropriate measure of housing need, it is not possible to evaluate the Fair Share Formula relative to a widely accepted standard. However, the formula-based regional distribution of need can usefully be compared with the regional distributions resulting from alternative measures. Comparisons of this sort cannot answer the question of whether the formula is a good measure of need, but they can show whether using the Fair Share Formula instead of one of the alternative measures examined makes much difference in the regional allocation of need and therefore in the regional distribution of federal housing assistance.

Comparisons of alternative measures of need are presented in table 10, although it is not suggested that the list is an exhaustive or even a representative set of possible measures of housing conditions. Overall, the measures listed in table 10 yield regional distributions of total U.S. housing need that are roughly consistent with the distribution yielded by the Fair Share Formula (although it should be remembered that even a percentage point difference translates into tens of millions of assistance dollars). The one exception is that measuring need by the distribution of old housing units allocates a much larger percentage of total U.S. need to the Northeast and Northcentral regions than do any of

1. William Baer, "The Evolution of Housing Indicators and Housing Standards," Public Policy 24 (Summer 1976): 361-393.

TABLE 10
REGIONAL HOUSING NEED ACCORDING TO ALTERNATIVE MEASURES
(percentage distribution)

Region	FY 79 Fair Share Formula (cost-adjusted)	HUD Definition Inadequate Units	HUD Definition Inadequate Units, Exclusive of Toilet Access Requirement	Number of Year-Round Units Built Prior to 1949	HUD Definition Inadequate Units with Units Built Prior to 1949	Households Below Section 8 Income Units	Heaters Below Section 8 Income Units, Exclusive of One-Person, Nonfamily Households and Households of Nonrelatives	FY 78 Community Development Block Grant Allocations
Metropolitan Areas								
Northeast	34	30	30	41	35	26	30	32
Northcentral	23	20	21	30	25	26	24	26
South	25	28	25	16	22	27	26	26
West	18	22	24	13	18	21	20	16
Metro total	100	100	100	100	100	100	100	100
Nonmetropolitan Areas								
Northeast	13	12	12	21	17	13	13	14
Northcentral	27	23	24	39	31	25	22	29
South	48	52	50	31	41	49	51	46
West	12	13	14	9	11	13	14	11
Nonmetro total	100	100	100	100	100	100	100	100

DATA SOURCE: Public use file of basic records, 1976 National Annual Housing Survey; also, Annual Housing Survey: 1976, Part A, General Housing Characteristics for the United States and Regions: 1976. Fair Share formula derived from data provided by HUD. Block Grant data derived from HUD, Office of Community Planning and Development, Community Development Block Grant Program: Directory of Allocations for Fiscal Year 1978.

NOTES: Section 8 income limits are based on household size and on household income relative to metro/nonmetro median household income for that Census region.

HUD Definition of Housing Inadequacy - A housing unit is inadequate if one or more of the following conditions holds:

Plumbing--unit lacks or shares complete plumbing (hot and cold water, flush toilet, and bathtub or shower inside the structure).
Kitchen--unit lacks or shares a complete kitchen (installed sink with piped water, a range or cookstove, and mechanical refrigerator - not an icebox).

Sewage--absence of a public sewer, septic tank, cesspool, or chemical toilet.

Heating--there are no means of heating; or unit is heated by unvented room heaters burning gas, oil, kerosene; or unit is heated by fireplace, stove, or portable room heater.

Maintenance--it suffers from any two of the following defects: leaking roof; open cracks or holes in interior walls or ceiling; holes in the interior floor; broken plaster or peeling paint (over 1 sq. ft.) on interior walls or ceilings.

Public Hall--it suffers from any two of the following defects: public halls lack light fixtures; loose, broken, or missing steps on common stairways; stair railings loose or missing.

Toilet Access--access to sole flush toilet is through one of two or more bedrooms used for sleeping (applies only to households with children under 18).

Electrical--unit has exposed wiring and fuses blow or circuit breakers tripped 3 or more times in last 90 days and unit lacks working wall outlet in one or more rooms.

* Does not apply in the South Census Region

the other measures. Note in particular that Community Development Block Grants, which also are allocated largely by formula (although the CDBG formula differs from the Fair Share Formula), have a regional distribution quite similar to that of formula-based housing needs.

In interpreting the statistics in table 10, it should be noted that while the fiscal 1979 Fair Share allocations are based on SMSA boundaries as of 1978, the Annual Housing Survey (AHS) uses the SMSA boundaries used in the 1970 Census reports. Since 1970, creation of new SMSAs and expansion of existing SMSAs have been concentrated in the South. The South in 1976 had 26.6 percent of the total U.S. metropolitan (i.e., SMSA) population using the 1970 SMSA boundaries, but 28.3 percent with the 1977 boundaries. The effect of these boundary changes on comparisons across columns in table 10 is therefore probably slight, but perceptible. If the AHS-based statistics in table 10 had been based on current SMSA boundaries, the South's share of total metropolitan housing need would probably be one or two percentage points higher (and each of the other three regions' share less than a point lower), and the South's share of total nonmetropolitan housing need would probably be one or two points lower.

Housing Needs of Specific Metropolitan Areas

The geographic focus of the needs comparisons can be narrowed by using data from the 39 SMSAs surveyed in the first two waves of the metropolitan area Annual Housing Surveys. Table 11 gives the housing needs allocations across these 39 metropolitan areas according to the alternative measures of need. As would be expected, there is more variability at the SMSA level than at the regional level in the housing needs distribution yielded by the alternative measures. Individual

TABLE 11
SMSA HOUSING NEED AS A PERCENTAGE OF U.S. TOTAL, ACCORDING TO ALTERNATIVE MEASURES OF NEED

SMSA	Py 79 Fair Share Formula (cost-adjusted)	HUD-Definition Inadequate Units	HUD-Definition Exclusive of Toilet Access Requirement	Number of Year- Round Units Built Prior to 1940	Households Below Section 8 Income Limits	Percent Below Section 8 Income Limits, Exclusive of One-Person, Nonelderly Households and Households of Nonrelatives
Northeast:						
Albany-Schenectady-Troy, NY	.30%	.24%	.20%	.52%	.32%	.30%
Boston, MA	N/A	1.01	.85	2.12	1.24	1.42
Hartford, CT	N/A	.23	.20	.29	.29	.34
Newark, NJ	.87	.78	.66	1.20	.75	1.00
Patterson-Clifton-Passaic, NJ	.57	.36	.30	.73	.56	.62
Philadelphia, PA-NJ	2.01	1.53	1.34	2.92	2.03	1.77
Pittsburgh, PA	1.07	.84	.72	1.67	1.06	.95
Rochester, NY	.35	.18	.16	.54	.18	.32
Springfield-Chicopee- Holyoke, MA-CT	N/A	.18	.15	.34	.22	.26
North Central:						
Chicago, IL	2.95	2.23	1.90	4.19	3.05	3.78
Cincinnati, OH-KY-IN	.65	.40	.35	.71	.59	.62
Columbus, OH	.37	.26	.22	.36	.19	.42
Detroit, MI	1.56	1.08	.92	1.85	1.81	1.34
Kansas City, MO-KS	.64	.34	.34	.56	.55	.49
Madison, WI	.13	.11	.09	.13	.13	.10
Milwaukee, WI	.60	.34	.29	.77	.58	.61
Minneapolis-St. Paul, MN-WI	.77	.47	.41	.84	.79	.64
Wichita, KS	.14	.09	.09	.14	.17	.14
South:						
Atlanta, GA	.57	.37	.34	.27	.66	.73
Dallas, TX	.82	.44	.39	.36	.78	.77
Fort Worth, TX	.20	.20	.20	.18	.36	.31
Memphis, TN-AR	.42	.30	.27	.22	.37	.62
Miami, FL	.77	.39	.40	.24	.70	.86
New Orleans, LA	.51	.32	.36	.48	.51	.62
Newport News-Hampton, VA	.11	.06	.05	.06	.11	.13
Orlando, FL	.17	.11	.09	.05	.23	.18
San Antonio, TX	.43	.30	.30	.26	.39	.41
Washington, DC-MD-VA	1.14	.70	.76	.82	1.22	1.54
West:						
Anaheim-Santa Ana-Garden Grove, CA	.49	.26	.25	.12	.73	.72
Colorado Springs, CO	.09	.05	.05	.06	.13	.14
Los Angeles-Long Beach, CA	3.42	9.12	3.66	2.57	3.38	4.21
Phoenix, AZ	.46	.45	.40	.11	.56	.45
Portland, OR-WA	.42	.38	.34	.48	.50	.62
Salt Lake City, UT	.24	.10	.10	.19	.25	.20
San Bernardino-Riverside- Ontario, CA	.51	.47	.42	.21	.57	.56
San Diego, CA	.58	.53	.48	.27	.70	.71
San Francisco-Oakland, CA	1.52	1.30	1.14	1.60	1.50	1.50
Spokane, WA	.12	.10	.10	.15	.14	.12
Tacoma, WA	.14	.12	.11	.17	.19	.19

DATA SOURCE: Public use file of basic records, 1974 and 1975 Metropolitan Area Annual Housing Surveys; fair share formula derived from data provided by HUD.

NOTES: Section 8 income limits are based on household size and on household income relative to median household income for that SMSA. See Table 10 for HUD definition of housing inadequacy. All data based on SMSA boundaries from 1970 Census.

SMSAs in several instances change their share of need by 50 percent when the measure of need is switched.

One pattern evident at the regional level is also evident at the SMSA level: SMSAs in the Northeast and Northcentral regions tend to show more need according to the age-of-housing measure than according to the other listed measures, and SMSAs in the South and West tend to show less. According to the measures of need in table 11, the 39 metropolitan areas as a group show the highest percentages of the nation's total need as measured by "units built prior to 1940" and "renters below Section 8 income limits . . . ," and they show the smallest percentages of total U.S. need as measured by the two versions of "HUD-definition inadequate units."

The Distribution of Need Between Metropolitan and Nonmetropolitan Areas

The Housing and Community Development Act of 1974 mandated that between 20 and 25 percent of total housing assistance under specified programs be allocated to nonmetropolitan areas. An obvious question is whether this allocation is justified on the basis of need.

The distribution of need between metropolitan and nonmetropolitan areas depends on which measures of need are used. For example, measures that emphasize incomplete plumbing will indicate relatively high levels of need in nonmetropolitan areas and in the South.¹ On the other hand,

1. This was one of the principal measures of need used in a recent study purporting to show that rural areas are being underserved by Section 8. See George Rucker, "The Geography of Section 8 Housing" (Washington, D.C.: Rural America, Inc., 1978).

measures that weight heavily the housing conditions of renters will indicate higher levels of need in metropolitan areas and in the Northeast, since rental housing is found disproportionately in SMSAs and since the Northeast is the most heavily metropolitan region.

In the absence of any widely accepted measure of housing need, there is some logic in using the Fair Share Formula HUD employs in allocating need within metropolitan and nonmetropolitan regions to estimate the distribution of need between metropolitan and nonmetropolitan areas. In practice, metropolitan and nonmetropolitan counties are first separated into two groups, and the Fair Share Formula is then used to determine each county's share of its group's total need. But the formula can just as well be used to estimate the distribution of total U.S. housing need between the two groups. When the Fair Share Formula is used in this manner, nonmetropolitan counties are found to have fully one-third of the total U.S. need for housing assistance (table 12). Under current law, however, nonmetropolitan counties can receive at most only 25 percent of Section 8 and Public Housing funds. Because housing costs are lower in nonmetropolitan areas, fewer funds have to be reserved to support a given number of units in those areas than in metropolitan areas. But even after adjusting for these cost differences, the housing needs of nonmetropolitan areas amount to 29 percent of the U.S. total.¹

1. Cost adjustments in table 12 were made consistent with current HUD procedures (as described in chapter I), based on a fiscal 1979 Fair Share composite weighted average Fair Market Rent for a newly constructed two-bedroom unit of \$375 in metropolitan counties and \$314 in nonmetropolitan counties. (Fair Market Rents were provided by Economic and Market Analysis Division, HUD.)

TABLE 12

PERCENTAGE OF TOTAL U.S. HOUSING NEED OCCURRING IN NONMETROPOLITAN
AREAS, ACCORDING TO ALTERNATIVE MEASURES OF NEED

Measure of Need for Housing Assistance	Percentage of Total U.S. Need Occurring in Nonmetropolitan Areas (i.e., outside of SMSAs)
FY 79 Fair Share Formula (unadjusted for cost differences)	33 (1978 SMSA
(adjusted for metropolitan/nonmetropolitan cost differences)	29 boundaries)
HUD-Definition Inadequate Housing Units	40 (1971 SMSA boundaries;
HUD-Definition Inadequate Units, Exclusive of Toilet Access Requirement	39 see Note)
Number of Year-round Units Built Prior to 1940	36
Households Below Section 8 Income Limits	31
Renters Below Section 8 Income Limits, Exclusive of One-Person Nonelderly Households and Households of Nonrelatives	26

DATA SOURCES: Public use file of basic records, 1976 National Annual Housing Survey; also, Annual Housing Survey: 1976, Part A, General Housing Characteristics for the United States and Regions: 1976; and data provided by HUD (Fair Share Formula only).

NOTES: Fair Share Formula percentage based on SMSA boundaries as of 1978. All other percentages use SMSA boundaries as of 1971. Because of expansion of existing SMSAs and creation of new SMSAs over the past seven years, percentage of need figures based on 1971 boundaries are estimated to be 3 to 9 percentage points above what they would be if current SMSA boundaries were used.

Section 8 income limits are based on household size and on household income relative to metro/nonmetro median household income for the Census region of residence.

HUD Definition of Housing Inadequacy

A housing unit is inadequate if one or more of the following conditions holds:

Plumbing--unit lacks or shares complete plumbing (hot and cold water, flush toilet, and bathtub or shower inside the structure).

Kitchen--unit lacks or shares a complete kitchen (installed sink with piped water, a range or cook-stove, and mechanical refrigerator - not an icebox).

Sewage--absence of a public sewer, septic tank, cesspool, or chemical toilet.

*Heating--there are no means of heating; or unit is heated by unvented room heaters burning gas, oil, kerosene; or unit is heated by fireplace, stove, or portable room heater.

Maintenance--it suffers from any two of the following defects: leaking roof; open cracks or holes in interior walls or ceiling; holes in the interior floor; broken plaster or peeling paint (over 1 sq. ft.) on interior walls or ceilings.

Public Hall--it suffers from any two of the following defects: public halls lack light fixtures; loose, broken, or missing steps on common stairways; stair railings loose or missing.

Toilet Access--access to sole flush toilet is through one of two or more bedrooms used for sleeping (applies only to households with children under 18).

Electrical--unit has exposed wiring and fuses blew or circuit breakers tripped 3 or more times in last 90 days and unit lacks working wall outlet in 1 or more rooms.

* Does not apply in the South Census Region.

Each of the other measures of housing need shown in table 12 also allocates more than 25 percent of total U.S. housing need to nonmetropolitan counties. However, all of these measures are biased toward showing more need in nonmetropolitan areas because they are derived from the 1976 Annual Housing Survey, which defines SMSAs according to 1970 Census boundaries (i.e., SMSAs as defined in February 1971). Due to expansion of existing SMSAs and creation of new SMSAs since 1971, more of the total U.S. population and housing stock is currently located in metropolitan areas than the Annual Housing Survey would indicate. According to AHS boundaries, 67.7 percent of the U.S. population lived in metropolitan areas on July 1, 1976. But according to 1978 SMSA boundaries, 73.0 percent of the population lived in metropolitan areas on July 1, 1976. Assuming that the redefinition of SMSAs affects the metropolitan/nonmetropolitan distribution of need to approximately the same extent as it affects the metropolitan/nonmetropolitan distribution of population, the AHS-based percentages in table 12 would probably be three to nine points lower if current SMSA boundaries were used. Thus, even after adjusting for the bias, most of these alternative measures of need would probably allocate at least 25 percent of total U.S. need to nonmetropolitan counties.

This finding--that according to the Fair Share Formula and a variety of other measures, nonmetropolitan areas have more than 25 percent of the total U.S. need for housing assistance--gains importance when it is considered in light of the distribution of Section 8 assistance between metropolitan and nonmetropolitan areas to date. Nationwide, through fiscal 1978 only 18 percent of all Section 8 units reserved since the

start of the program were in nonmetropolitan areas.¹ This 18 percent figure does not necessarily signify the violation of the congressional mandate that between 20 and 25 percent of housing assistance funds be allocated to nonmetropolitan areas, however. The 20 percent floor on the allocation of Section 8 assistance to nonmetropolitan counties refers to contract authority rather than to units, and nonmetropolitan areas use the expensive Section 8 New Construction Program more than metropolitan areas do. In addition, public housing reservations may be used to offset shortfalls in Section 8 activity in nonmetropolitan areas. Yet it appears likely that the allocation of housing assistance to nonmetropolitan areas has been closer to the mandated minimum than to the mandated maximum.

Even if the allocation to nonmetropolitan areas equaled the statutory maximum of 25 percent, nonmetropolitan areas would be underserved according to the Fair Share Formula measure of need. Since the four Census regions each have different proportions of their populations living in metropolitan areas, the ceiling leads to some distortion in the formula-based allocations of housing assistance among Census regions. The 25 percent ceiling on assistance to nonmetropolitan areas results in the allocation of more of the total U.S. need to the most heavily metropolitan regions (the Northeast and West) than would be the case if there were no prior assumption that only 25 percent of the need for assistance is in nonmetropolitan areas.

1. Derived from table 2.2 of G. Thomas Kingsley and Deborah R. Both, "Pilot Urban Impact Analysis: HUD's Section 8 New Construction and Substantial Rehabilitation Programs," Discussion Draft (Washington, D.C.: The Rand Corporation, February 1979).

However, the prior assumption that no more than 25 percent of total need is in nonmetropolitan areas has only a slight effect on the regional allocation of formula-based need (table 13). The effect is slight for two reasons. First, even before cost adjustment, the estimated actual allocation of need (33 percent) is not substantially higher than the assumed allocation of need. Second, the four Census regions do not differ radically in their percentages of population and the other five formula components that occur in metropolitan areas.

The comparison in table 13 was undertaken for the other measures of need listed in table 12. While the boundary problem discussed earlier clouds these comparisons, in general the results appear consistent with those shown in table 13. That is, the prior assumption that only 25 percent of the need for housing assistance is nonmetropolitan causes the Northeast and Northcentral regions to be allocated a percentage point or two more of the total U.S. need and the South to be allocated a point or two less than would be the case if the prior assumption did not exist.

A note of caution is warranted in closing this discussion. Housing programs administered by the Farmers Home Administration are concentrated in nonmetropolitan areas, and these programs have not been considered in our analysis. Therefore, our finding that nonmetropolitan areas have been underserved by Section 8 and Public Housing relative to their formula-based share of total need does not necessarily imply that nonmetropolitan areas have been receiving a less than equitable proportion of total federal housing assistance.

TABLE 13

REGIONAL ALLOCATIONS OF FORMULA-BASED NEED FOR
HOUSING ASSISTANCE, WITH AND WITHOUT PRIOR
ASSUMPTION THAT 25% OF NEED IS NONMETRO
(percentage distribution)

Region	FY 79 Formula-Based Need (unadjusted for cost differences)	
	with prior assumption that 25% of U.S. need is nonmetro	with no prior assumption of metro/nonmetro dis- tribution of need
Northeast	24	23
Northcentral	25	25
South	34	36
West	<u>17</u>	<u>16</u>
U.S. Total	100	100

IV. IMPROVING THE FAIR SHARE FORMULA

Two types of improvements to the current Fair Share Formula can be suggested: (1) improvements in the definition of housing need and (2) technical improvements in how the chosen definition is put to use.

As mentioned previously, no universally accepted definition of the need for housing assistance exists. It is not the purpose of this report to address this thorny and probably irresolvable issue. Instead, we accept as given that the appropriate definition of need for housing assistance is the formula specification adopted by HUD in response to congressional guidelines, and suggestions will pertain exclusively to technical improvements in the formula. In other words, the issue examined here is whether it is possible to improve the accuracy with which local area housing needs are measured, according to the formula definition of need.

Errors in the Measurement of Housing Need Due to Out-of-Date Data

The major technical problem with the Fair Share Formula is that five of its six components are based on data from the 1970 Census of Population and Housing. These five components are now nine years out of date and will be 13 years out-of-date by the time 1980 Census data become available.¹ It is not possible to use an alternate data source,

1. The sixth component, population, is updated for post-Census years as county population estimates become available from the U.S. Bureau of the Census. The fiscal 1979 Fair Share Formula used 1975 population estimates.

since county-level data for the four components relating to housing conditions can be obtained only from the Census.

Current housing needs at the county level are imperfectly represented by 1970 data, since some counties have grown while others have declined, and housing conditions in some counties have improved while conditions in others have worsened. Although county-level data are not available for the post-1970 period, even at the Census region level some reallocation of formula-based housing need during the first six years of the decade is apparent. Table 14 shows that the regional incidence of each of the five formula components for which data are available changed between 1970 and 1976. The incidence of the vacancy deficit component changed the most. Largely because of the vacancy deficit component, the Northeast's share of housing need, as measured by the average of these five components, declined during the period. The Northcentral's share also declined, especially in nonmetropolitan areas. Both the West and South increased their share of need as measured by the average of the five components. It is likely that these regional shifts would be maintained even if data on the sixth component (renters with problems) were included in the average.

The regional shift in formula-based need during the early 1970s was matched by shifts in need across individual SMSAs. For the 59 metropolitan areas surveyed in the SMSA component of the Annual Housing Survey, the six Fair Share Formula components and the formula composite can be generated for the year of the survey. (A third of the SMSAs were surveyed in each of the years 1974, 1975, and 1976.) Comparing the

distribution of formula-based need across these 59 SMSAs as of the survey date with the distribution in 1970 provides some evidence on the magnitude of the shift in formula-based need across local areas over a four to six year period. When this comparison is undertaken, using the index of dissimilarity described in chapter 2, we find that 3.9 percent of the total formula-based need of the 59 SMSAs shifted over the four to six years. In other words, 3.9 percent of the need gets attributed to the wrong SMSA by using data that are four to six years old.

The current practice of updating the population component might be expected to reduce the misallocation (i.e., error in the estimated geographic distribution) of need from the level when none of the components are updated. But substituting 1974-76 population in the 1970 formula for the 59 SMSAs reduces the misallocation of need by only .1 percent, to 3.8 percent. The improvement is minimal for two reasons. First, since population is only one of six components, any change in population gets only a one-sixth weighting in its effect on the composite. Second, changes in the population component are far from perfectly correlated with changes in the other components (table 15). It can be seen that the components do not even all change in the same direction. In other words, if share of need according to one of the components is increasing in an area, another component may show share of need to be decreasing. Change in the plumbing component, for example, is negatively correlated with change in four of the five other components.

These negative correlations illustrate that updating some of the components of the formula can lead to greater misallocation of need than if none are updated, if the components updated serve as inverse

indicators of changing needs according to the other components. Although none of the correlations between individual components and the composite in table 15 is negative, the low correlations between change in the formula composite and change in the plumbing, overcrowding, and renters with problems components imply that updating any one of these components would have little effect on change in the formula composite. We have shown that even the higher correlation of .50 between change in the population component and change in the composite translates into only a .1 percent reduction in the error in allocation of formula-based need.

Of the six formula components, change in vacancy deficit has by far the highest correlation with change in the composite. This is partly a matter of definition. Vacancy deficit has the greatest reallocation of the six components between 1970 and 1974-76, and most of the reallocation of formula-based need across the 59 SMSAs is due to this component, a finding similar to that from the region level data in table 14. If the vacancy deficit component is dropped from the formula, only 2.2 percent of the need is misallocated in 1974-76, compared to the 3.9 percent when it is included.

The results from the preceding analysis of 59 selected SMSAs cannot strictly be applied to other SMSAs and to nonmetropolitan areas. However, to the extent the results are transferable, the finding that using data four to six years out-of-date leads to approximately 4 percent misallocation of formula-based need implies that perhaps 10 percent of need will be misallocated by the time the 1980 Census data become available. Since greater misallocation is likely at the county level than at the less

detailed SMSA level, the 10 percent figure is probably a conservative lower bound on the percentage of need that will be reallocated at the county level when 1980 Census data are incorporated in the formula.

Improving the Formula

The dominance of the vacancy deficit component in determining changes over time in the geographical distribution of formula-based need argues for close examination of the logic for inclusion of this variable as an indicator of the need for housing assistance. In particular, the use of the 6 percent vacancy rate as opposed to some other percentage, and the absence of any distinction between the owner-occupant and rental submarkets, or between the high-income and low-income submarkets, should all be reconsidered.

A second potential area for improvement is the poverty component of the formula. Census data from 1970 are currently used to derive the estimate of the number of poor households in counties. Improvements can perhaps be made in this component by using the most recent published Census Bureau estimates of per capita income for counties.¹ Although per capita income does not translate directly into a measure of the number of poor households, county population change since 1970 coupled with per capita income change since 1970 could be used to develop estimates of the change in the number of poor households since the 1970 benchmark. The current poverty component is open to criticism, even as a measure of poverty for 1970, since it defines poverty-level income as

1. The most recent published estimates are for 1975. Estimates for 1977 are scheduled to be published in late 1979.

a fraction of median income in the Census region, with no regard for cost-of-living differences or adjustments in family size. While cost-of-living data are not available for most areas of the country, the poverty threshold could be adjusted for family size.

Another possibility worth consideration is to use Annual Housing Survey data to determine the distribution of formula-based assistance allocations among Census regions, but to retain the current Fair Share Formula for distributing assistance to counties within each Census region. This strategy would correct the allocations for region-level shifts in need since 1970, while retaining the level of geographic detail available only from Census data.

A final technical point regards the procedures used to adjust the formula-based needs allocations for housing cost differences across HUD jurisdictions. According to HUD regulations, "This housing needs percentage shall be adjusted to reflect the relative cost of providing housing among field office jurisdictions." As mentioned in chapter I, HUD currently uses Section 8 Fair Market Rents for new construction in making these adjustments. It can be argued that a better adjustment would be based on the new/rehab/existing mix of units provided in each jurisdiction. That is, if the goal is to distribute assisted housing units according to formula-based needs, then jurisdictions relying on the less expensive Section 8 Existing Housing Program need fewer funds to support a given number of units than do jurisdictions relying on the more expensive New Construction Program.

If, on the other hand, the goal is to distribute federal subsidy dollars according to formula-based need, then in theory budget authority

(the estimated long-run subsidy cost) should be Fair Shared. The current practice, however, is to Fair Share contract authority, and the associated number of units and budget authority are determined by the new/rehab/existing mix chosen. The problem with contract authority as the basic measure of housing assistance is that it is neither fish nor fowl: because housing-type mix determines the budget authority implied by a given level of contract authority, and because housing-type mix varies by HUD jurisdiction, contract authority is a measure neither of units of housing assisted nor of total federal funds committed. On the other hand, the main problem with Fair Sharing of budget authority is that it would increase the importance of having accurate projections of the time streams of subsidy costs per unit over the fifteen to forty year guarantee period, whereas such projections are inevitably speculative and error prone.

Beyond these technical points lie some broader issues concerning how federal housing funds are geographically distributed and how that distribution is assessed. To re-emphasize a point made earlier, it is important that all pertinent programs be considered before judging the equity of the allocation of assistance funds. Since we have looked here at only the Section 8 and Public Housing programs, such judgments based on our analysis are, at best, tentative.

The experience of the Community Development Block Grant program offers some valuable lessons for the Fair Share system. First, the CDBG experience illustrates the intense political scrutiny that housing assistance allocation schemes might be subject to in Congress in the future. Second, the CDBG experience is analytically valuable because

the CDBG literature lays out arguments for and against a variety of measures of community development needs and the effects of alternative measures on the spatial distribution of need.¹

At present, CDBG allocations and housing assistance allocations to local areas are determined almost entirely separately (except for determination of the mix of assisted housing types through the CDBG Housing Assistance Plans). It is not clear that it is feasible or desirable to more closely coordinate the two allocation systems. However, the two systems will face a common issue when 1980 Census data are incorporated in their allocation formulas: some localities will gain substantial amounts of federal urban assistance when the formulas are updated, and some will lose substantial amounts. Work is needed to determine in advance the types of communities that will fall into these two categories and how best to ease the transition.

1. See, for example, Harold Bunce, An Evaluation of the Community Development Block Grant Formula (U.S. Department of Housing and Urban Development, 1976); and U.S. Department of Housing and Urban Development, Developmental Needs of Small Cities (1979).

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